



Economic and Social Council

Distr.
GENERAL

E/1993/53
18 May 1993
ENGLISH
ORIGINAL: ENGLISH/FRENCH

Substantive session of 1993
Geneva, 28 June-30 July 1993
Item 14 of the provisional agenda*

REGIONAL COOPERATION

Summary of the survey of economic and social conditions in Africa, 1992-1993

* E/1993/100.

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. OVERVIEW	1 - 4	3
II. SUBREGIONAL OUTLOOK	5 - 7	5
III. MAIN SECTORS	8 - 10	6
IV. SOCIAL CONDITIONS	11	9
V. EXTERNAL SECTOR	12 - 18	9
VI. OUTLOOK FOR 1993	19 - 21	11

I. OVERVIEW

1. The year 1992 was yet another difficult one for developing Africa. Overall economic performance, measured in terms of trends in total output, payments position, fiscal situation, external debt position and price trends, was generally weak. Data available to the Economic Commission for Africa (ECA) show that overall regional real output grew by only 1.5 per cent, after an already discouraging gross domestic product (GDP) rate of only 2.3 per cent in 1991. The low growth was attributed to the poor performance of the greater majority of ECA countries classified as non-oil exporting countries (42 countries), whose combined output declined by 1.1 per cent in 1992. However, the fall in output in the non-oil exporters was compensated to some extent by the growth of the oil-exporters by 3 per cent. A number of domestic factors appear to have seriously affected performance, particularly the unsettled political situation in a number of countries, including notably Mozambique, Liberia, Zaire, Togo, Algeria and Somalia. Transition to democracy was also sometimes accompanied by political dislocation. Drought was also another exogenous adverse factor. The catastrophic drought in Southern Africa was the worst on record in that part of the continent. Dry conditions also prevailed in some countries of North Africa, particularly in Morocco, where the cereal crop is estimated to have fallen by about 65 per cent. Although some countries, such as Egypt, Tunisia, the Sudan and Nigeria, were able to register significant gains in their agricultural production, poor agricultural performance elsewhere, coupled with the drought, resulted in a fall in overall agricultural production of 1.5 per cent. Cereal production, a key indicator of the agricultural situation in Africa, dropped by nearly 12 per cent to 78 million tons in 1992. In Southern Africa alone, the fall was on the order of 42.5 per cent. Adverse international factors also continued to play a decisive role, notably recessionary conditions in the countries that are members of the Organisation for Economic Cooperation and Development (OECD), Africa's major trading partners.

2. Owing to the fact that most of Africa's export trade has traditionally been with OECD countries, the 4 per cent recovery in world trade in 1992, essentially the result of strong import demand from developing countries, had only a limited effect on Africa's trade and commodity prices. For 1992 as a whole, oil prices were reported by the United Nations Conference on Trade and Development as having fallen an average of 0.4 per cent. Non-fuel commodity price trends were also mostly unfavourable. The United Nations index for non-fuel primary commodities fell by 1.7 per cent in dollar terms. The ECA commodity index for all commodities excluding oil registered a substantial fall of 7.3 per cent in 1992. If oil is included, however, the index fell by only 1.5 per cent. Due to the above-mentioned adverse factors, total regional exports fell by 6.1 per cent in value and by 6 per cent in volume. With import expenditure growing by 6.9 per cent, the region's trade deficit amounted to some US\$ 4.2 billion, or approximately 1 per cent of regional GDP. The pressure on foreign exchange resources was further intensified by the continued external debt overhang. Although the external debt volume fell slightly from US\$ 281.8 billion in 1991 to US\$ 281.0 billion in 1992, owing largely to measures taken to write off and reschedule part of the debt of Egypt, the general situation remains disturbing for African countries, severely constraining their import capacity and therefore their growth. The heightened foreign exchange squeeze in turn spilled over into the area of investment and

capacity utilization. Gross fixed formation stagnated at its 1991 level of only 15.2 per cent of GDP.

Table 1. Developing Africa: economic indicators, 1980-1993

Indicators	1980- 1992	1990	1991	1992	1993 <u>a/</u>
Output growth					
Developing Africa (percentage)	-0.8	3.0	2.3	1.5	3.3
Oil exporters (percentage)	-1.6	3.5	2.9	3.0	3.5
Non-oil exporters (percentage)	2.8	2.2	1.5	-1.1	2.8
Agricultural output <u>b/</u>	2.8	1.4	4.6	-1.5	..
Oil production (millions of tons) <u>c/</u>	301.7	319.6	335.1	338.0	328.6
Mining production	0.4	-1.3	-4.4	-0.8	..
Oil price (dollars per barrel, Brent Crude) <u>c/</u>	38.0	24.0	20.0	19.3	19.0
Consumer prices (percentage)	20.8	12.9	36.3	63.0	..
Commodity prices <u>d/</u> (percentage)	-2.6	-3.5	-4.7	-7.3	..
Exports (billions of dollars) <u>c/</u>	92.9	80.0	75.4	70.8	..
Imports (billions of dollars) <u>c/</u>	74.3	76.6	75.8	81.0	..
Current account (billions of dollars) <u>c/</u>	..	8.0	6.4	-4.2	..

Source: Secretariat of the Economic Commission for Africa.

a/ Forecast.

b/ Index of the Food and Agriculture Organization of the United Nations, 1979-1991 = 100.

c/ In first column, 1980 figure.

d/ Not including oil.

3. Against a background of poor output growth, shortages, distribution difficulties and a generally liberalized exchange regime in the majority of countries (except those in the franc zone), inflation rates increased considerably, from 15.8 per cent in 1990 to 36.3 per cent in 1991, and further to 63 per cent, in 1992. The increase was greatest in Central Africa, because of hyper-inflation in Zaire, and in West Africa, where inflation has risen markedly in countries such as Nigeria and Sierra Leone. In Eastern and Southern Africa, the drought led to rapid inflation, averaging 60.5 per cent. In contrast, the countries of the franc zone continued to enjoy a very low rate of inflation, estimated at only 3.6 per cent on average.

4. The configuration and thrust of macroeconomic policy in 1992 was one of continuity. The emphasis was on the liberalization of economic systems and stabilization policies, with particular focus on the financial and fiscal sectors, factor markets, the price system and the role of the public and private sectors. The pursuit of adjustment with transformation and the harmonization of short-term policy goals with medium- and long-term development objectives were hardly in evidence in government policies in 1992. The focus of fiscal reform was on fiscal discipline; resource rationalization; the need to keep expenditure within the limits of revenue; tax reform; and ways to increase revenue. Also, increased attention was accorded to measures designed to rationalize expenditure, partly through containing growth in the wage bill and, as some countries did, partly through reducing civil strife. Reform of the financial system focused on such areas as improving monetary control and coordination, enhancing the mobilization and allocation of domestic savings and, more generally, removing the rigidities in the banking system. There was also increased recourse to financial instruments, with a number of countries revising their interest and exchange-rate policies. Indeed, exchange-rate depreciation, anchored on generalized devaluations, was among the most visible instruments in 1992. During the year, a number of countries, such as Ethiopia, Malawi, Mauritania, Nigeria, the Sudan and Zambia, devalued their currencies. Exchange control was liberalized in some others, notably Botswana, Mauritius, Nigeria and Uganda. Meanwhile, the policy of State disengagement from the public sector, which has gained currency lately, has been continued in 1992. Some countries, such as Nigeria, Morocco, Mozambique, Chad, the Sudan and Uganda, have embarked on the outright sale of loss-making public enterprises, while in others, such as Morocco and Tunisia, the disengagement campaign, which began in the mid-1980s, remains ongoing. Privatization, however, is constrained by some seemingly intractable problems, the most important of which are the debt position of the loss-making enterprises and the narrow capital base of the domestic private sector.

II. SUBREGIONAL OUTLOOK

5. In a continent as vast and diverse as Africa, it is natural that significant variations in country and subregional performance should occur. In 1992, the best results were achieved in West Africa, where output grew by 3.3 per cent, compared to 3.5 per cent in 1991. Within the subregion, a number of countries performed satisfactorily, such as Nigeria and Ghana, while others performed poorly and indeed some experienced negative growth, such as Niger and Côte d'Ivoire, where output fell. The Sahelian subgroup performed particularly well, with the Sudan registering an exceptional GDP growth of about 11 per cent

in 1992. Elsewhere in the subregions, growth was disappointing in North Africa (including the Sudan) and negative in Central Africa and Eastern and Southern Africa. In North Africa, GDP grew by only 2.1 per cent. Only in the Sudan, Tunisia and Egypt were significant growth rates recorded within the subregion. In Central Africa, output fell by 1.2 per cent, following earlier declines of 1.5 per cent in 1991 and 0.1 per cent in 1990. A significant element of the decline is the result of the crisis in Zaire and the slow-down in such countries as Cameroon and Gabon. In the Eastern and Southern Africa subregion, civil strife in Somalia, Mozambique and Angola, together with the disastrous drought which has affected most of the countries of the region, are principally responsible for the downturn.

6. At the level of economic groupings in Africa, the principal dividing lines are between oil exporting and non-oil exporting countries, and between the least developed countries and other developing countries. With oil prices and production levels stagnating for most of 1992, oil exporting countries recorded only a 3 per cent growth in combined GDP, roughly equivalent to the 1991 figure. In contrast, the non-oil exporting countries experienced a fall of 1.1 per cent in GDP in 1992, the first such fall since 1980, an indication of the gravity of the drought in Eastern and Southern Africa during 1992 and the prevalent civil strife in part of the continent. The fact that the oil exporters generally fared better than the non-oil exporters is little consolation, given the lacklustre overall performance of the former since 1991. Among the oil exporters, only non-members of the Organization of Petroleum Exporting Countries (OPEC) - Congo, Egypt and Angola - managed to raise their oil incomes in 1992.

7. Real GDP growth rate declined in the African least developed countries by 0.9 per cent in 1992, after a drop of 0.4 per cent in 1991 and a marginal increase of 1.5 per cent in 1990. The relatively strong weight in the combined GDP formation of the African least developed countries such as Ethiopia, Zaire and Zambia, whose economy has been adversely affected by drought and political instability, including civil strife, partially explains the poor performance of the group in the 1991-92 period. The civil wars in Somalia, Liberia, Rwanda and southern Sudan also contributed. The performance of the agricultural sector, the mainstay of the economies of this subgroup, was dismal: output levels increased by a mere 0.8 per cent in 1992, after a rise of 2.7 per cent in 1991. Food-crop production was hardest hit, with as many as 14 African least developed countries facing the threat of large-scale famine in 1993, according to sources of the Food and Agriculture Organization of the United Nations (FAO). The financial distress in many of the least developed countries has been worsened by a further decline in an already low rate of domestic savings, which averaged around 7 per cent in 1991-1992.

III. MAIN SECTORS

8. The decline in agricultural output and the sluggish growth in the manufacturing and mining sectors were the main reasons for the poor overall output performance of the African region. According to data provided by FAO, agricultural production declined in developing Africa by 1.5 per cent in 1992 compared with an increase of 3.8 per cent in 1991. The main causes of this

Table 2. Developing Africa: growth output, by subregion and economic grouping, 1991-1992

	Per capita GDP (current dollars)	Share of total output	Output growth ^{a/} (percentage)		
	1991	1991	1980-1992	1991	1992
North Africa ^{b/}	1 045.1	48.9	2.5	2.6	2.1
Sub-Saharan Africa	331.3	54.1	1.6	2.1	1.4
Central Africa	458.5	11.0	2.4	-1.5	-1.2
East Africa	265.3	17.3	2.7	1.5	-2.2
Southern Africa	383.5	9.5	2.6	2.1	-3.1
West Africa	345.2	22.8	0.9	3.5	3.3
Sahel	383.5	8.3	2.2	2.0	5.8
Sub-Saharan Africa without Nigeria	380.9	49.0	2.4	1.1	2.4
Oil exporters	729.4	55.4	1.7	2.9	3.0
Non-oil exporters	354.0	44.6	2.3	1.4	-1.1
Least developed countries	221.7	16.3	2.5	1.8	0.6
Others	541.7	28.2	2.3	1.1	-2.0
Franc zone	586.4	16.4	2.4	1.2	1.5
Mineral exporters	419.1	10.2	1.2	-2.3	-3.2
Beverages exporters	237.9	13.4	2.1	1.0	0.1
Developing Africa	495.3	100.0	1.9	2.3	1.5

Source: Secretariat of the Economic Commission for Africa.

^{a/} 1980 prices.

^{b/} Including the Sudan.

decline were the catastrophic drought which hit Eastern and Southern Africa, the fall of agricultural production in North Africa and, to some extent, the fall in the growth of agricultural production in West Africa. In Eastern and Southern Africa, agricultural output fell by 7.7 per cent compared to a drop of 1.2 per cent in 1991. Drought, which affected principally Algeria and Morocco, was the main cause of the fall in agricultural production. The only subregions where agricultural production increased were Central Africa and Western Africa, where growth rates of 2.3 per cent and 4.2 per cent respectively were recorded. The food sector was the most adversely affected. Aggregate cereal output in developing Africa dropped precipitously by 14.1 per cent to 75 million tons in 1992. As a result, FAO estimated that in 1992, 40 million people faced food shortages in sub-Saharan Africa and food import requirements amounted to 6 million tons, compared to 2 million tons in a normal year. For developing Africa as a whole, food imports requirements in 1992 were estimated at 20.2 million tons, compared to 18.8 million tons of actual imports in 1991, and food aid requirements were set at 5.5 million tons. Except for tobacco, which made modest gains, the production of all other major industrial crops also declined in 1992. The production of cocoa, coffee, tea, cotton and sugar fell by 5.3 per cent, 6.1 per cent, 10.3 per cent, 7.1 per cent and 3.7 per cent respectively. Prices either fell or remained depressed. The thrust of agricultural policy remains essentially one of transformation through conscious investment and liberalization policies. However, in 1992, because of the drought, increased attention was given to drought relief and supporting drought rehabilitation. Environmental protection was also given attention in a number of countries.

9. The mining sector also performed poorly in 1992. Oil production increased only marginally in 1992, by less than 1 per cent compared with 1991. With the production of OPEC members remaining virtually the same, the slight gain in production was attributable to the non-OPEC members, whose output rose by 3.4 per cent. The stagnation in the level of production by OPEC members was due in part to the mandatory production cuts imposed by OPEC. Among non-OPEC producers, the best results were obtained by Angola, with production rising by 10 per cent to reach 27.4 million tons in 1992. Total production of oil did not recover in 1992 but the year was nevertheless characterized by the intensification of oil exploration activities and efforts to improve the investment climate for foreign oil companies. Similar attention was given to exploration and use of natural gas. The downward trend in the non-fuel mining sector, however, continued to be plagued by the known structural limitations of the sector and the volume of zinc, gold and silver output increased only marginally, by 2.2 per cent, 2.0 per cent and 0.4 per cent, respectively. Prices were also subjected to downward pressure as the base metal market weakened.

10. Partly due to the adverse influence of a poor agricultural year and a particularly constrained foreign exchange situation in 1992, and partly because of low investment, the performance of the manufacturing sector remained very weak in 1992, notwithstanding considerable policy adjustments. Value added increased by only 2.0 per cent after a decline of 0.3 per cent in 1991, with capacity utilization remaining low, from 30 to 50 per cent in most countries of the region. The sector has undergone little or no structural change in recent years. In many countries, public investment has been scaled down drastically, while the inflow of private foreign direct investment remained negligible

despite the opportunities offered by investment codes in the region. Indeed, most African countries are striving to improve their investment climate and encourage private sector initiatives, particularly privatizing some public sector enterprises.

IV. SOCIAL CONDITIONS

11. Social conditions in 1992 continued to be characterized by a number of disquieting features. On the economic side, real per capita incomes continued to decline, while adjustment programmes had a negative effect on social conditions in Africa. The tightening of government budgets was mainly manifested in the reduction of real expenditure on such vital social services as education and health. In the educational sector, the spectre of school closures and completely run-down educational infrastructure loomed large in 1991-1992, with the result that school enrolment and attendance ratios declined in a number of countries. The educational systems of most African countries have increasingly had to cope with shortages of teaching materials and even teachers. Health conditions leave much to be desired. Malnutrition is now widespread, reflecting falling incomes. The scourge of known diseases such as meningitis and malaria has been on the increase. Recently the prevalence of the human immunodeficiency virus/acquired immune deficiency syndrome has grown into a public health crisis. At current rates, close to 20 million Africans could be infected with the disease by the year 2000. Social conditions were also undermined by the continued incidence of civil strife, political instability and drought-induced emergencies. The persistence of the African refugee problem is a direct consequence of the deterioration of the socio-political environment of the region. It is currently estimated that Africa is hosting close to 50 per cent of the total world refugee population. On the positive side, increased recognition of Africa's problems and the gathering momentum of democratic activity in the region, although accompanied in some cases by unrest, are believed to be gradually contributing to restoring stability to African society.

V. EXTERNAL SECTOR

12. The performance of developing Africa's trade in 1992 was unsatisfactory. Export values declined by 6.1 per cent as unit export values remained unchanged and the volume of exports fell sharply by 6 per cent. On the other hand import values rose by 9.3 per cent, with prices increasing by 3.2 per cent and import volumes growing by 3.6 per cent. The changes in export and import prices have meant a reduction in the terms of trade loss to 3 per cent in 1992, compared to a loss of 9.7 per cent in 1991. But the purchasing power of exports declined sharply by 9.0 per cent in 1992, compared to 3.4 per cent in 1991. As a result, developing Africa's share in world trade remained minimal and showed a downward trend in terms of export values, 2.2 per cent in 1991 and 2 per cent in 1992.

13. Oil-exporting countries accounted for 70.5 per cent of overall regional exports in 1992. The earnings of oil exporters declined by 1.5 per cent in 1992, as a result of a small drop in oil prices and a lower level of export volumes brought about by production capacity limitations and mandatory production cuts imposed by OPEC.

14. Commodities prices continued to decline in 1992. The ECA African export index shows that the loss in average commodity prices was 1.3 per cent in 1992, compared to 14.3 per cent in 1991. The decline in 1992 was 7 per cent (not including oil prices), compared to 4.7 per cent in 1991. Prices of beverages declined on average by 12.3 per cent in 1992, although tea prices recovered in 1992. The prices of agricultural raw materials improved slightly, however, by an average of 2.5 per cent. But cotton prices fell sharply by 24.1 per cent, because of a large imbalance between supply and demand on the world market. In the case of metals and minerals prices, on account of the downturn in their main markets, the industrial countries, there was a 2.6 per cent drop in 1992. Copper prices, in particular, lost 2.3 per cent on average, a rather moderate fall, given the political upheaval in the major African producer, Zaire, where production has declined sharply. Nickel prices lost 14 per cent, and iron ore prices fell by 4.9 per cent because of the slump in steel production and demand worldwide.

Table 3. Balance of payments, 1989-1992

(Billions of dollars)

	1989	1990	1991	1992
Exports	60.7	75.8	72.4	70.8
Imports	67.8	75.7	74.1	81.0
Trade balance	-7.1	0.1	-1.7	-10.2
Services (net)	-18.8	-19.8	-19.7	-18.7
Unrequired transfers	26.9	27.7	27.8	24.7
Official	12.2	10.9	11.5	11.2
Private	14.7	16.8	16.4	13.7
Current account	1.0	8.0	6.4	-4.2
Capital flows and errors	3.7	-12.1	-5.8	-7.1
Overall balance	4.7	-4.1	0.6	-11.3
Change in reserves and use of resources	-2.1	-9.0	-4.4	4.4
Financing	2.6	-13.1	-3.8	-6.9

Source: Secretariat of the Economic Commission for Africa.

15. The increase of import unit values by 3.2 per cent in 1992 was essentially due to the rise in the prices of manufactured goods exports, which averaged 4.6 per cent despite the fact that inflation has fallen to moderate levels in the industrial countries. Food import prices (an important element, given the increasing share of imports in the food supply of the region, particularly in 1992, a year marked by severe drought and famine) increased by a mere 1.6 per cent, the price of wheat, however, rising by a sizeable 17.7 per cent.

16. Although balance-of-payments figures for 1992 are tentative, it is clear that the current account deficit has increased. The trade deficit, which was US\$ 1.7 billion in 1991, swelled to US\$ 10.2 billion in 1992, as the value of exports dropped and imports expanded. On the other hand, while the services deficit improved from US\$ 19.7 billion to US\$ 18.7 billion, unrequited transfers contracted by nearly US\$ 3 billion, due to a reduced level of private transfers.

17. By the end of 1992, the outstanding external debt of developing Africa was US\$ 281.8 billion, compared to US\$ 281 billion in 1991, confirming that the external debt obligations of African countries have levelled out, on the average. However, this mainly reflects the measures taken to write off and reschedule part of the debt of Egypt. On the basis of available data, debt accounts for 92.6 per cent of regional GDP, slightly lower than the 94 per cent registered in 1991. Debt servicing represents 23.7 per cent of goods and services exports. The level of debt service continues to constrain import capacity and hamper growth. Accumulations of arrears, a good indicator of the inability of countries to honour their debt, continue unabated, preventing African countries from creating the necessary environment for the attraction of foreign investment, particularly from private sources.

18. A number of rescheduling agreements were concluded in the course of the year for some countries, notably the cancellation of part of the long-term public debt of Zambia (about US\$ 1 billion) and Ethiopia (US\$ 200 million). Similarly, Nigeria secured from its commercial creditors a review of terms for paying back US\$ 7 billion, while Algeria concluded a refinancing agreement worth US\$ 2 billion with a banking consortium. The share of net flows to Africa, however, has gradually diminished since 1985. For 1992, the World Bank estimates net long-term financial flows to sub-Saharan Africa at US\$ 17.8 billion which, when compared to 1991, reflects a contraction of US\$ 100 million. Budgetary problems in donor countries are increasingly constraining aid programmes and external development finance for Africa, even though the estimate in the United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF) ^{1/} is that, beginning from 1992, a minimum of US\$ 30 billion will have to be mobilized every year in favour of Africa and this sum will have to be increased at an annual growth rate of 4 per cent in real terms.

VI. OUTLOOK FOR 1993

19. The immediate prospects for the African economy are far from certain at this stage, particularly as the economy continues to grow at a very slow rate despite significant reform measures. However, if the past is any guide, prospects for 1993 will continue to depend largely on both domestic and external factors. Domestically, there are encouraging signs of a possible recovery in

agriculture, with considerable rebound forecast for southern Africa after the severe drought experienced in 1992. Prospects for increased investment have also improved with the realization that relaunching development depends not merely on utilizing existing capacities but on augmenting productive capacity. The materialization of this awareness in concrete projects is still constrained by the inadequate inflow of resources and the new conditionalities imposed by donor countries and multilateral financial institutions. There is also a strengthened resolve to situate adjustment programmes within transformational perspectives. However, considerable uncertainty exists concerning peace and security in the region and agendas in this regard are varied and complex and may not be amenable to successful settlement within the course of the year. Nevertheless, it is now generally recognized that for growth momentum to be strengthened and sustained and for its geographical coverage to be extended, a more socially and politically stable development environment is needed in Africa.

Table 4. African prospects
(Percentage changes, 1980 prices)

	1990	1991	1992	1993
Output	3.0	2.3	1.5	3.3
Agriculture	1.0	3.8	-0.5	3.9
Mining	7.6	4.7	1.5	2.9
Manufacturing	2.4	-0.3	2.0	2.9
Domestic demand	0.2	2.9	0.6	1.5
Exports of goods and services	10.8	2.5	2.3	7.9
Imports of goods and services	3.6	4.9	-0.3	4.1

Source: Secretariat of the Economic Commission for Africa.

20. Prospects for 1993 also depend critically on the removal of current external resource constraints, by means of increased export earnings, improved commodity prices, debt burden reduction and increased resource flows. Much therefore depends on the strength of the recovery in the countries that are members of the Organisation for Economic Cooperation and Development (OECD), Africa's traditional development partners, as well as on prospects for international trade. Recent forecasts for this group point to slow growth and this is likely to affect the level of demand for and prices of African exports, as well as the level of resource flows. Thus, the prospects for African external trade in 1993, particularly in commodities, are not generally good, while external resource flows are not expected to show any major improvements in 1993.

21. Against this background, it is likely that GDP growth rate in the African region will rebound by about 3.3 per cent in 1993, driven largely by a modest expansion in agricultural output. Such a rate is roughly equal to the region's rate of population growth and is much less than the average real rate of growth of 6 per cent of GDP envisaged by UN-NADAF. ^{1/}

Notes

^{1/} See General Assembly resolution 46/151, annex, sect. II.
